# Assembly Constitutional Amendment No. 19

**Introduced by Assembly Members Villines and Niello**
**(Coauthors: Assembly Members Adams, Anderson, Benoit, Berryhill, Cook, DeVore, Duvall, Emmerson, Fuller, Gaines, Garcia, Garrick, Houston, Huff, Jeffries, Keene, La Malfa, Maze, Nakanishi, Plescia, Sharon Runner, Silva, Smyth, Spitzer, Strickland, Tran, and Walters)**

August 6, 2008

Assembly Constitutional Amendment No. 19—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Sections 10 and 12 of Article IV thereof, by repealing and adding Section 3 of Article XIII A thereof, by repealing and adding Article XIII B thereof, by amending Section 2 of Article XIII C thereof, by adding Article XIII F thereto, and by amending Sections 8.5 and 20 of Article XVI thereof, relating to expenditure limitations.

## legislative counsel's digest

ACA 19, as introduced, Villines. Expenditure limitations.

(1) Existing provisions of the California Constitution authorize the Governor to declare a fiscal emergency and call a special session of the Legislature, if the Governor determines, for that fiscal year, that General Fund revenues will decline substantially below specified revenues. These provisions prohibit the Legislature from acting on another bill or adjourning for recess if it does not pass and send a bill or bills, by the 45th day following the Governor's declaration of a fiscal emergency, to the Governor addressing the fiscal emergency.

This measure would also authorize the Governor, following the enactment of the Budget Bill for the 2009–10 fiscal year or any subsequent fiscal year, to declare a fiscal emergency if total state expenditures are expected to exceed specified constitutional expenditure limitations. The measure would prohibit the Legislature from acting on a bill that does not address a fiscal emergency declared by the Governor, or adjourning for recess, if it does not pass a bill or bills addressing the fiscal emergency that are enacted by the 45th day following the Governor's declaration of the fiscal emergency.

(2) Existing provisions of the California Constitution require the Legislature to pass the Budget Bill by midnight on June 15 of each year.

This measure would require the Legislature, if it fails to meet this deadline, to meet in session 24 hours a day, without recess or adjournment, until the Budget Bill is passed and presented to the Governor.

(3) Existing provisions of the California Constitution require the Governor, within 10 days of each calendar year, to submit a budget, with statements for recommended state expenditures and estimated state revenues, to the Legislature for the next fiscal year.

This measure would require the Governor's estimates of revenues and expenditures for the 3-year period succeeding the fiscal year beyond the year for which the budget is under consideration, or recently adopted, to be published whenever the Governor publishes revised estimates of revenues and expenditures.

(4) Existing provisions of the California Constitution require an act increasing revenues collected pursuant to a state tax, whether by increased rates or changes in methods of computation, be passed by not less than $\frac{2}{3}$ of all members elected to each of the 2 houses of the Legislature.

This measure would, on and after January 1, 2009, require a bill that would require a taxpayer to pay a higher tax, whether by increased rates or changes in methods of computation, to be passed in each house of the Legislature by rollcall vote entered in the journal, $\frac{2}{3}$ of the membership concurring.

This measure would specifically define a tax for purposes of these provisions to mean any charge or exaction of any kind by the state, except for charges for the reasonable costs of certain kinds of services, charges for the reasonable costs of regulation by the state, charges imposed for entrance to or use of state property, and fines and other charges for a violation of statutes or regulations.

(5) Existing provisions of the California Constitution prohibit the annual appropriations subject to limitation, as defined, of any entity of state or local government from exceeding its adjusted annual appropriations limit. These provisions also require 50% of the excess revenues received by the state in a fiscal year and the fiscal year immediately following it to be transferred and allocated, from a fund established for that purpose, to the State School Fund, and the remaining 50% of those excess revenues to be returned by a revision of tax rates or fee schedules within the next 2 subsequent fiscal years.

This measure would repeal these provisions. This measure would instead impose a state expenditure limit computed by multiplying the prior fiscal year total expenditures, as certified by the Director of Finance, by the sum of one plus the percentage change in state population, as determined by the Department of Finance, and then multiplying that product by the sum of one plus the percentage change in the cost of living, as determined by the Department of Industrial Relations, subject to reduction for excess expenditures in the prior fiscal year. This measure would authorize the expenditure limit to be exceeded for an emergency, as defined, declared by the Governor that does not include revenue shortfalls, excessive spending, or other similar conditions limiting the ability to fund government operations.

This measure would also require that the total amount of expenditures made for any fiscal year by a city, county, city and county, or special district not exceed the total amount of revenues received by that entity for that fiscal year from its authorized taxes, as defined, fees, and other charges, state and federal funds, and other sources of local revenue, including reserve funds carried over from a prior year.

This measure would also require the Director of Finance to report quarterly to the Governor and members of the legislative budget committees on the state's compliance with the expenditure limits for the current fiscal year.

This measure would also create a Special Reserve Account to receive revenues that exceed the amount expended in a fiscal year, and would authorize moneys in that amount to be spent, upon appropriation by $\frac{2}{3}$ vote of the membership of each house, for specified purposes. This measure would also create the Sales Tax Rebate Fund as a trust fund to be used to fund temporary state sales and use tax rate reductions under specified conditions.

(6) Existing provisions of the California Constitution require that whenever the Legislature or any state agency mandates a new program

or higher level of service on any local government, the state is required to provide a subvention of funds to reimburse the local government for the costs of the program or increased level of service. For the 2005–06 fiscal year and every subsequent fiscal year, for a mandate for which the costs of a local government claimant have been determined in a preceding fiscal year to be payable by the state pursuant to law, the Legislature is required to either appropriate, in the annual Budget Act, the full payable amount that has not been previously paid, or suspend the operation of the mandate for the fiscal year for which the annual Budget Act is applicable in a manner prescribed by law.

This measure would require, instead, that beginning in the 2009–10 fiscal year, the Legislature would either appropriate reimbursement funds for each program then in effect and for which reimbursement was provided in any prior fiscal year or suspend the mandate.

(7) Existing provisions of the California Constitution require any tax imposed by a local government to be either a general tax or a special tax, and impose a voter-approval requirement for a local government to impose, extend, or increase a general tax or special tax.

This measure would define a tax for purposes of these provisions to mean any charge or any exaction of any kind by a local government, except for charges for the reasonable costs of certain kinds of services, charges for the reasonable costs of local regulation, charges for the reasonable costs to the community for development, charges imposed for entrance to or use of local government property, fines and other charges imposed for violations of statutes, ordinances, and regulations; and assessments and property-related fees and charges.

(8) Existing provisions of the California Constitution establish the Budget Stabilization Account in the General Fund, and require the Controller, subject to certain exceptions, to transfer to that account, no later than September 30 of each fiscal year, a sum equal to 3% of the estimated amount of General Funds revenues for that fiscal year. These provisions also require that 50% of the moneys transferred to the account in each fiscal year, up to the aggregate amount of $5 billion for all fiscal years, be transferred into a specified subaccount to be used to retire certain deficit recovery bonds. Remaining amounts transferred to the account may, by statute, be transferred to the General Fund.

This measure would instead require the Controller, no later than September 30 in the 2009–10 fiscal year and each fiscal year thereafter, to transfer only 1.5% of the estimated amount of General Fund revenues for the current fiscal year, and only into the same subaccount to be used to retire the deficit recovery bonds.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

WHEREAS, This measure shall be known and may be cited as the “Government Overspending Prevention Act”; and

WHEREAS, The state and its political subdivisions continue to suffer chronic budget deficits, and the existing state and local appropriations limits have failed to prevent this from occurring; and

WHEREAS, These budget deficits are the result of politicians failing to responsibly manage state finances, enact budgets limited to available revenues, and set aside a portion of the surpluses during good fiscal years to ensure stable government resources in the lean fiscal years; and

WHEREAS, Between the 1998–99 and 2007–08 fiscal years, state spending was allowed to grow from just over $75 billion to over $145 billion (a 93-percent increase in merely eight years), even though revenues were not available to support the increased spending; and

WHEREAS, To support the unrestrained spending growth, politicians raided revenues from local governments, enacted new and expanded taxes disguised as fees, and pursued massive borrowing, the costs of which will be borne by future generations; and

WHEREAS, Proposition 13 requires that increases in state taxes be adopted by not less than a two-thirds vote of the members elected to each house of the Legislature, and both Proposition 13 and Proposition 218 require that increases in local taxes be approved by the voters; and

WHEREAS, The Government Overspending Prevention Act will force rational fiscal management on state politicians by limiting the growth in state spending to the combined growth of population and inflation, and local governments will be prohibited from spending beyond their available revenues; and

WHEREAS, The increasing interdependence of state and local finances necessitates limitations on the expenditures of both, because without state and local limitations restraints on spending as to one level of government could be circumvented and nullified by increasing expenditures by another; and

WHEREAS, The Government Overspending Prevention Act will ensure that politicians cannot avoid the spending limits by passing taxes disguised as fees by less than a two-thirds vote or without a vote of the people; and

WHEREAS, For all these reasons, the Government Overspending Prevention Act will provide better fiscal management for the taxpayers of California; and

WHEREAS, The Government Overspending Prevention Act shall be liberally construed to effectuate its purpose of ensuring that the state enacts responsible, balanced budgets that are sustainable over time within available resources; now, therefore, be it

*Resolved by the Assembly, the Senate concurring*, That the Legislature of the State of California at its 2007–08 Regular Session commencing on the fourth day of December 2006, two-thirds of the membership of each house concurring, hereby proposes to the people of the State of California, that the Constitution of the State be amended as follows:

First—That Section 10 of Article IV thereof is amended to read:

SEC. 10. (a) Each bill passed by the Legislature shall be presented to the Governor. It becomes a statute if it is signed by the Governor. The Governor may veto it by returning it with any objections to the house of origin, which shall enter the objections in the journal and proceed to reconsider it. If each house then passes the bill by rollcall vote entered in the journal, two-thirds of the membership concurring, it becomes a statute.

(b) (1) Any bill, other than a bill which would establish or change boundaries of any legislative, congressional, or other election district, passed by the Legislature on or before the date the Legislature adjourns for a joint recess to reconvene in the second calendar year of the biennium of the legislative session, and in the possession of the Governor after that date, that is not returned within 30 days after that date becomes a statute.

(2) Any bill passed by the Legislature before September 1 of the second calendar year of the biennium of the legislative session and in the possession of the Governor on or after September 1 that is not returned on or before September 30 of that year becomes a statute.

(3) Any other bill presented to the Governor that is not returned within 12 days becomes a statute.

(4) If the Legislature by adjournment of a special session prevents the return of a bill with the veto message, the bill becomes a statute unless the Governor vetoes the bill within 12 days after it is presented by depositing it and the veto message in the office of the Secretary of State.

(5) If the 12th day of the period within which the Governor is required to perform an act pursuant to paragraph (3) or (4) of this subdivision is a Saturday, Sunday, or holiday, the period is extended to the next day that is not a Saturday, Sunday, or holiday.

(c) Any bill introduced during the first year of the biennium of the legislative session that has not been passed by the house of origin by January 31 of the second calendar year of the biennium may no longer be acted on by the house. No bill may be passed by either house on or after September 1 of an even-numbered year except statutes calling elections, statutes providing for tax levies or appropriations for the usual current expenses of the State, and urgency statutes, and bills passed after being vetoed by the Governor.

(d) The Legislature may not present any bill to the Governor after November 15 of the second calendar year of the biennium of the legislative session.

(e) The Governor may reduce or eliminate one or more items of appropriation while approving other portions of a bill. The Governor shall append to the bill a statement of the items reduced or eliminated with the reasons for the action. The Governor shall transmit to the house originating the bill a copy of the statement and reasons. Items reduced or eliminated shall be separately reconsidered and may be passed over the Governor's veto in the same manner as bills.

(f) (1) *(A)* If, following the enactment of the budget bill for the 2004–05 fiscal year ~~or any subsequent fiscal year~~ *to the 2008–09 fiscal year, inclusive*, the Governor determines that, for that fiscal year, General Fund revenues will decline substantially below the estimate of General Fund revenues upon which the budget bill for that fiscal year, as enacted, was based, or General Fund expenditures will increase substantially above that estimate of General Fund revenues, or both, the Governor may issue a proclamation declaring a fiscal emergency and shall thereupon cause the Legislature to assemble in special session for this purpose. The proclamation shall identify the nature of the fiscal emergency and shall be submitted by the Governor to the Legislature, accompanied by proposed legislation to address the fiscal emergency.

~~(2)~~

*(B)* If the Legislature fails to pass and send to the Governor a bill or bills to address the fiscal emergency by the 45th day following the issuance of the proclamation, the Legislature may not act on any other bill, nor may the Legislature adjourn for a joint recess, until that bill or those bills have been passed and sent to ~~teh~~ *the* Governor.

~~(3)~~

*(C)* A bill addressing the fiscal emergency declared pursuant to this ~~section~~ *paragraph* shall contain a statement to that effect.

*(2) (A) If, following the enactment of the budget bill for the 2009–10 fiscal year or any subsequent fiscal year, the Governor determines that, for that fiscal year, General Fund revenues will decline substantially below the estimate of General Fund revenues upon which the budget bill for that fiscal year, as enacted, was based, or General Fund expenditures will increase substantially above that estimate of General Fund revenues, or both, or if, following the enactment of the budget bill, the Governor determines that, for that fiscal year, total expenditures are expected to exceed the limit imposed by Article XIII B for that fiscal year, the Governor may issue a proclamation declaring a fiscal emergency and shall thereupon cause the Legislature to assemble in special session solely for this purpose. The proclamation shall identify the nature of the fiscal emergency and shall be submitted by the Governor to the Legislature, accompanied by proposed legislation to address the fiscal emergency.*

*(B) If the Legislature fails to pass and send to the Governor a bill or bills to address the fiscal emergency declared pursuant to this paragraph by the 45th day following the issuance of the proclamation, the Legislature may not act on any other bill except one relating to a fiscal emergency declared pursuant to this paragraph, nor may the Legislature adjourn for a joint recess, until that bill or those bills have been passed and enacted.*

*(C) A bill addressing the fiscal emergency declared pursuant to this paragraph shall contain a statement to that effect.*

Second—That Section 12 of Article IV thereof is amended to read:

SEC. 12. (a) Within the first 10 days of each calendar year, the Governor shall submit to the Legislature, with an explanatory message, a budget for the ensuing fiscal year containing itemized statements for recommended state expenditures and estimated state revenues. If recommended expenditures exceed estimated revenues, the Governor shall recommend the sources from which the additional revenues should be provided.

(b) The Governor and the Governor-elect may require a state agency, officer, or employee to furnish whatever information is deemed necessary to prepare the budget.

(c) (1) The budget shall be accompanied by a budget bill itemizing recommended expenditures.

(2) The budget bill shall be introduced immediately in each house by the persons chairing the committees that consider the budget.

(3) The Legislature shall pass the budget bill by midnight on June 15 of each year. *If the budget bill is not passed by the Legislature by June 15 of any year, each house of the Legislature shall meet in session 24 hours a day, and shall not recess or adjourn, until the budget bill is passed and presented to the Governor. For purposes of this paragraph, "budget bill" means a bill that is introduced and enacted pursuant to this section to make appropriations for the support of the government of the State for the entire ensuing fiscal year.*

(4) Until the budget bill has been enacted, the Legislature shall not send to the Governor for consideration any bill appropriating funds for expenditure during the fiscal year for which the budget bill is to be enacted, except emergency bills recommended by the Governor or appropriations for the salaries and expenses of the Legislature.

(d) No bill except the budget bill may contain more than one item of appropriation, and that for one certain, expressed purpose. Appropriations from the General Fund of the State, except appropriations for the public schools, are void unless passed in each house by rollcall vote entered in the journal, two-thirds of the membership concurring.

(e) The Legislature may control the submission, approval, and enforcement of budgets and the filing of claims for all state agencies.

(f) For the 2004–05 fiscal year, or any subsequent fiscal year, the Legislature may not send to the Governor for consideration, nor may the Governor sign into law, a budget bill that would appropriate from the General Fund, for that fiscal year, a total amount that, when combined with all appropriations from the General Fund for that fiscal year made as of the date of the budget bill's passage, and the amount of any General Fund moneys transferred to the Budget Stabilization Account for that fiscal year pursuant to Section 20 of Article XVI, exceeds General Fund revenues for that fiscal year estimated as of the date of the budget bill's passage. That estimate of General Fund revenues shall be set forth in the budget bill passed by the Legislature.

*(g) Beginning with the budget submitted by the Governor for the 2009–10 fiscal year pursuant to subdivision (a), whenever the Governor publishes revised estimates of revenues and expenditures there shall also be published the Governor's estimates of revenues and expenditures for the three fiscal years immediately following the fiscal year for which the budget was submitted.*

Third—That Section 3 of Article XIII A thereof is repealed.

~~Section 3. From and after the effective date of this article, any changes in state taxes enacted for the purpose of increasing revenues collected pursuant thereto whether by increased rates or changes in methods of computation must be imposed by an Act passed by not less than two-thirds of all members elected to each of the two houses of the Legislature, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property may be imposed.~~

Fourth—That Section 3 is added to Article XIII A thereof, to read:

SEC. 3. (a) On and after January 1, 2009, a bill that would, whether by increased rates or changes in methods of computation, require any taxpayer to pay a higher amount of tax shall be passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property may be imposed.

(b) For purposes of this section, “tax” means any charge or exaction of any kind imposed by the State, except for the following:

(1) A charge imposed for a specific service provided directly to the payor by the State or so provided by a private contractor on behalf of the State, and not provided to those not charged, but only to the extent the charge does not exceed the reasonable costs of the service provided.

(2) A charge imposed for the reasonable regulatory costs to the State of issuing licenses or permits, performing inspections, performing audits, or conducting administrative adjudications.

(3) A charge imposed for entrance to or use of state property.

(4) A fine, penalty, or other monetary charge imposed by the judicial branch of government, or a state or local administrative agency, as a result of any violation of a statute or regulation.

(c) Any tax as defined in subdivision (b) enacted on or after January 1, 2008, but before January 1, 2009, that was not approved by the Legislature in compliance with subdivision (a) is void beginning on January 1, 2010, unless, prior to January 1, 2010, the tax is reenacted pursuant to a measure approved by the Legislature in compliance with subdivision (a).

Fifth—That Article XIII B thereof is repealed.

Sixth—That Article XIII B is added thereto, to read:

ARTICLE XIII B
State Expenditure Limit

SECTION 1. As used in this article, the following terms have the following meanings:

(a) “Emergency” means the existence, as declared by the Governor, of conditions of disaster or of extreme peril to the safety of persons and property within the State, or parts thereof, caused by an attack or probable or imminent attack by an enemy of the United States, epidemic, fire, flood, drought, storm, civil disorder, earthquake, or volcanic eruption. “Emergency” does not include revenue shortfalls, excessive spending, or other similar conditions limiting the ability to fund government operations.

(b) (1) Except as specifically excluded in this article, “General Fund revenues and special fund revenues” means revenues that are generated by any tax as that term is defined in subdivision (b) of Section 3 of Article XIII A, any other source of revenue that was considered a "General Fund" or "special fund" source of revenue for the 2007–08 fiscal year, and any funds transferred from the Sales Tax Rebate Account, as specified in subdivision (c) of Section 3. "General Fund revenues and special fund revenues" do not include revenues from nongovernmental cost funds, as defined by the Director of Finance or his or her successor, federal funds, trust and agency funds, retirement funds, enterprise funds, or bond funds. It is the intent of this subdivision to ensure that all state revenues received in any fiscal year and not specifically excluded by this article, whether or not characterized by any state law as General Fund revenues or special fund revenues, are subject to the expenditure limit prescribed by this article.

(2) "General Fund revenues and special fund revenues" do not include any proceeds from the Economic Recovery Bond Act approved by the voters as Proposition 57 at the March 2, 2004, statewide primary election.

(c) "Percentage change in the cost of living" means the percentage change from April 1 of the immediately preceding calendar year to April 1 of the current calendar year in the California Consumer Price Index for all items, as determined by the Department of Industrial Relations or its successor, but not to exceed the percentage change in California per capita personal income for the immediately preceding calendar year. The Department of Finance, or its successor agency, shall determine the change in per capita personal income based upon the California personal income statistics produced by the Bureau of Economic Analysis in the United States Department of Commerce, or its successor agency. For the purposes of this subdivision, "current calendar year" means the calendar year in which the fiscal year commences.

(d) "Allowable expenditures" means the maximum amount of total expenditures permitted for a fiscal year as provided for in this article.

(e) "Percentage change in state population" means the change in population of the State as determined by the Department of Finance, or its successor agency, revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or its successor agency.

SEC. 2. (a) (1) For the 2009–10 fiscal year and each subsequent fiscal year, the total expenditures made from General Fund revenues and special fund revenues, in the aggregate, shall not exceed the expenditure limit for that fiscal year as described in paragraph (2).

(2) (A) The expenditure limit for the 2010–11 fiscal year and each fiscal year thereafter shall be computed by multiplying the total expenditures from General Fund revenues and special fund revenues, in the aggregate, for the immediately preceding fiscal year by the sum of one plus the percentage change in state population, and then multiplying that product by the sum of one plus the percentage change in the cost of living.

(B) The expenditure limit for the 2009–10 fiscal year is the total amount of expenditures for the 2007–08 fiscal year from General Fund revenues and special fund revenues, in the aggregate, as certified by the Director of Finance or his or her successor, as adjusted pursuant to subparagraph (A) from the 2007–08 fiscal year to the 2008–09 fiscal year, and then from the 2008–09 fiscal year to the 2009–10 fiscal year, for percentage changes in state population and percentage changes in the cost of living.

(3) For purposes of establishing the expenditure limit for the 2010–11 fiscal year and each subsequent fiscal year, the Director of Finance, or his or her successor, shall certify the total amount of expenditures from General Fund revenues and special fund revenues, in the aggregate, for the immediately preceding fiscal year. In no event shall the amount certified be greater than the expenditure limit for that fiscal year under this article.

(b) The expenditure limit imposed by this article may be exceeded for a fiscal year to address an emergency as described in subdivision (a) of Section 1. Any expenditure to address an emergency as described in subdivision (a) of Section 1 shall first be paid from any funds accumulated in the Special Reserve Account created pursuant to subdivision (a) of Section 3. Any expenditure exceeding the expenditure limit imposed by this article that is made to address an emergency, as described in subdivision (a) of Section 1, shall be for that purpose only, shall be directly related to the emergency, and shall not exceed the costs necessary to address the emergency. No funds expended pursuant to this subdivision shall supplant or replace funds already appropriated to any state agency. Expenditures in excess of the expenditure limit for a fiscal year that are made pursuant to this subdivision to address an emergency, as described in subdivision (a) of Section 1, shall not be considered under paragraph (3) of subdivision (a) for purposes of determining the expenditure limit for the next fiscal year. Any bill proposing an expenditure to address an emergency described in subdivision (a) of Section 1 shall contain a statement to that effect.

(c) If an emergency as described in subdivision (a) of Section 1 has not been declared during a fiscal year, and after the conclusion of that fiscal year it is determined by the Director of Finance, or his or her successor, that actual expenditures for that fiscal year have exceeded the expenditure limit for that year, then the expenditure limit for the fiscal year immediately following the fiscal year for which that determination is made shall be reduced by the amount of the excess. In determining the expenditure limit for the fiscal year next following the fiscal year for which that reduction is made, the amount of the reduction shall be applied to the amount of expenditures in the immediately preceding fiscal year certified pursuant to paragraph (3) of subdivision (a).

(d) The total amount of expenditures from General Fund and special fund revenues includes any expenditure of funds that is for purposes of the retirement of bonds as described by subdivision (f) of Section 20 of Article XVI.

(e) The Director of Finance, or his or her successor, shall, on a quarterly basis, report to the Members of the Legislature, who are members of the committee in each house that considers the budget, on the state's compliance with the expenditure limit imposed by this article for the current fiscal year. The report shall include updated estimates of revenues and expenditures and the expenditure limit for the current fiscal year. If the director, or his or her successor, estimates that current fiscal year total expenditures may exceed the limit imposed by this article, the report shall include recommendations for corrective action.

SEC. 3. If total General Fund revenue and special fund revenues, in the aggregate, exceed the expenditure limit for the current fiscal year, the amount of that excess shall be attributed in proportionate shares to the General Fund and to each special fund, by multiplying the balance of each those funds at the end of the current fiscal year by the percentage by which the aggregate revenues exceed the expenditure limit. That portion of the excess amount attributed to each special fund shall be transferred to a reserve in that special fund subject to expenditure in a subsequent fiscal year. The amount of these excess moneys attributable to the General Fund shall be allocated from the General Fund as follows:

(a) (1) Fifty percent to the Special Reserve Account, which is hereby created in the General Fund, to the extent that this account contains an amount less than 10 percent of the expenditure limit for the current fiscal year. Any funds that may not be allocated to the Special Reserve Account due to the 10 percent limitation shall be allocated pursuant to subdivision (b).

(2) Moneys in the Special Reserve Account may be expended upon appropriation by the Legislature pursuant to a bill that does not contain any unrelated provision and is passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring. The total amount appropriated pursuant to this paragraph in any fiscal year shall not exceed the amount by which the expenditure limit pursuant to this article for that fiscal year exceeds the total amount of General Fund and special fund revenues reported by the Department of Finance, or its successor agency, for that fiscal year.

(3) Notwithstanding the limitation set forth in paragraph (2), funds in the Special Reserve Account may be expended to address an emergency described in subdivision (a) of Section 1, upon appropriation by the Legislature pursuant to a bill passed by each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring.

(4) Any funds expended from the Special Reserve Account in a fiscal year pursuant to paragraph (2), but not funds expended from that account for the purposes of paragraph (3), that are in excess of the limitation set forth in paragraph (2) shall be counted as expenditures for purposes of paragraph (3) of subdivision (a) of Section 2.

(5) Subject to the 10-percent maximum amount specified in paragraph (1), any unexpended balance in the Special Reserve Account, including interest earnings, shall carry over from one fiscal year to the next.

(b) Fifty percent to be allocated among the following in amounts prescribed by the enacted budget bill:

(1) To any outstanding maintenance factor pursuant to Section 8 of Article XVI that is in existence as of June 30, 2008, until allocated in full.

(2) To the Deficit Recovery Bond Retirement Fund Sinking Subaccount, so long as any bonds issued pursuant to the Economic Recovery Bond Act remain outstanding. The deposit of funds pursuant to this paragraph shall supplement, but not supplant, the transfers to the Deficit Recovery Bond Retirement Fund Sinking Subaccount required by paragraph (1) of subdivision (f) of Section 20 of Article XVI.

(3) To the Transportation Investment Fund established by Section 7104 of the Revenue and Taxation Code, or the successor to that section, until any amount loaned from that fund to the General Fund has been repaid in full.

(c) Moneys in the General Fund that are allocated as specified in subdivision (a) or (b) shall not be considered "General Fund revenues" for purposes of Section 8 of Article XVI, except as to moneys appropriated pursuant to paragraph (2) of subdivision (a). Any moneys that exceed the amounts that may be allocated as specified in subdivision (a) or (b) shall be transferred to the Sales Tax Rebate Fund, which is hereby created in the State Treasury as a trust fund, and shall not be considered "General Fund revenues" for purposes of Section 8 of Article XVI. Moneys transferred to Sales Tax Rebate Fund shall be used only to implement a temporary reduction in the sales and use tax rate levied by the State, as follows:

(1) (A) By each July 15, the Director of Finance, or his or her successor, shall estimate the amount of revenue that would be produced by a sales and use tax rate of 0.25 percent over the next succeeding 12-month period, and determine whether the amount of money accumulated in the Sales Tax Rebate Fund at the end of the immediately preceding fiscal year is equal to or greater than that estimated amount of revenue.

(B) Upon making a determination pursuant to subparagraph (A), the director, or his or successor, shall give written notice of that determination, including the amount of the revenue estimate and the amount of money accumulated in the Sales Tax Rebate Fund, to the Controller, each member of the State Board of Equalization, and each member of a committee of the Legislature that considers the budget bill. If the director, or his or her successor, determines that the amount of money accumulated in the Sales Tax Rebate Fund is equal to or greater than the revenue estimate made pursuant to subparagraph (A), the rate of tax imposed under Section 6051 of the Revenue and Taxation Code, or any successor to that section, and under Section 6201 of the Revenue and Taxation Code, or any successor to that section, shall be reduced, as provided in paragraph (2), by 0.25 percent and by any additional 0.25 percent increments as warranted by the balance in the Sales Tax Rebate Account. If a tax rate reduction is warranted, the director shall include in the written notice a finding of whether the amount of money accumulated in the Sales Tax Rebate Fund is sufficient to warrant one or more additional 0.25 percent reductions in the state sales and use tax rate, and, if so, the number of additional 0.25 percent reductions that are warranted.

(2) On the October 1 immediately following the notification by the Director of Finance pursuant to paragraph (1), the State Board of Equalization, or its successor agency responsible for administering the Sales and Use Tax Law, shall, for a 12-month period, implement any tax rate reductions specified in that notice. No less frequently than each three months during the 12-month period, the Controller shall transfer, from the Sales Tax Rebate Account to the General Fund and to other funds and accounts incurring a reduction in deposits as a result of the tax reduction, amounts in lieu of the deposits not made as a result of the tax reduction. Any funds so transferred are "General Fund and special fund revenues" for purposes of this article, and are "General Fund revenues" for purposes of Section 8 of Article XVI.

(3) Any funds transferred to the Sales Tax Rebate Fund, along with any interest earnings, shall only be available for purposes of this subdivision.

SEC. 4. (a) As used in Section 7.5 of Article IV, "the percentage increase in the appropriations limit for the State established pursuant to Article XIII B" means the percentage increase in the State expenditure limit established pursuant to this article.

(b) As used in Section 8 of Article XVI, "change in the cost of living pursuant to paragraph (1) of subdivision (e) of Section 8 of Article XIII B" means the percentage change in California per capita personal income from the immediately preceding fiscal year, determined in the same manner as provided in subdivision (c) of Section 1 with respect to calendar years.

SEC. 6. (a) Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the State shall provide a subvention of funds to reimburse the local government for the costs of that program or increased level of services, except that the Legislature may, but is not required to, provide that subvention of funds for the following mandates:

(1) A legislative mandate requested by the affected local government.

(2) Legislation defining a new crime or changing an existing definition of a crime.

(3) A legislative mandate enacted prior to January 1, 1975, or an executive order or regulation initially implementing legislation enacted prior to January 1, 1975.

(b) A claim may not be filed for reimbursement pursuant to subdivision (a) for any mandate if the mandate has been in effect for more than two years and no claim for that reimbursement was filed in that period.

(c) For the purposes of this section, "local government" means a city, county, city and county, school district, special district, authority, or other political subdivision of the State.

(d) (1) Beginning in the 2009–10 fiscal year, the Legislature shall either appropriate in the annual budget bill reimbursement funds for each state-mandated program then in effect and for which reimbursement was provided in any fiscal year prior to the adoption of this article, or it shall suspend operation of the mandate for the fiscal year for which the annual budget bill is applicable in a manner prescribed by law.

(2) The subvention of funds required by this section shall be provided no later than the end of the fiscal year in which the costs were incurred, in the case of state-mandated programs for which reimbursements have been provided by the State in any fiscal year prior to the adoption of this article. With regard to state-mandated programs enacted after the adoption of this article, and those not previously reimbursed, the State shall provide a subvention of funds no later than the end of the fiscal year next succeeding the fiscal year in which the Commission on State Mandates or its

successor finally determines that the State is required to provide reimbursement.

(e) If the Legislature fails to either appropriate funds or suspend a mandate as required by subdivision (d), any affected local government may commence an action in court for declaratory relief, injunctive relief, or any other appropriate relief for the purpose of securing its rights pursuant to this section. If that relief is granted in a final decision of a court of competent jurisdiction from which no further review is available, the State shall provide the same subvention as required by that court to any other local government that has a substantially similar claim or claims pending against the State.

(f) A mandated new program or higher level of service includes a transfer by the Legislature from the State to cities, counties, cities and counties, or special districts of complete or partial financial responsibility for a required program for which the State previously had complete or partial financial responsibility.

SEC. 7. Notwithstanding any other provision of law, including this Constitution, any taxpayer shall have standing to bring a legal action against the State for violating any provision of this article. The action may seek declaratory relief, injunctive relief, a writ of mandate, or any other relief that a court may deem appropriate. In any such action, the State shall have the burden of proving compliance with this article. Actions brought pursuant to this section shall have calendar preference over all other actions.

Seventh—That Section 2 of Article XIII C thereof is amended to read:

SEC. 2. ~~Local Government Tax Limitation.~~ Notwithstanding any other provision of this Constitution:

(a) ~~All taxes~~ *A tax* imposed by any local government ~~shall be deemed to be~~ *is* either *a* general ~~taxes~~ *tax* or special ~~taxes~~ *tax*. ~~Special purpose districts~~ *A special district* or ~~agencies~~ *agency*, including *a* school ~~districts~~ *district*, ~~shall have~~ *has* no ~~power~~ *authority* to levy general ~~taxes~~ *tax*.

(b) ~~No~~ *A* local government ~~may~~ *shall not* impose, extend, or increase any general tax unless and until that tax is submitted to the ~~electorate~~ *voters* and approved by a majority vote. A general tax ~~shall~~ *is* not ~~be~~ deemed to have been increased if it is imposed at a rate not higher than the maximum rate so approved. The election required by this subdivision shall be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency declared by a unanimous vote of the governing body.

(c) Any general tax imposed, extended, or increased, without voter approval, by any local government on or after January 1, 1995, and prior to the effective date of this article, shall continue to be imposed only if *that general tax was* approved by a majority vote of the voters voting in an election on the issue of the imposition, which election ~~shall be~~ *was* held ~~within two years of the effective date of this article~~ *no later than November 6, 1998*, and in compliance with subdivision (b).

(d) ~~No~~ *A* local government ~~may~~ *shall not* impose, extend, or increase any special tax unless ~~and until~~ that tax is submitted to the ~~electorate~~ *voters* and approved by ~~a~~ two-thirds ~~vote~~ *of the voters voting on the proposition*. A special tax ~~shall~~ *is* not ~~be~~ deemed to have been increased if it is imposed at a rate not higher than the maximum rate so approved.

*(e) On and after January 1, 2009, as used in Section 1 and in this section, "tax" means any charge or exaction of any kind imposed by a local government, except the following:*

*(1) A charge imposed for a specific service provided directly to the payor by the local government or a private contractor on behalf of the local government, and not provided to those not charged, but only if the amount of the charge does not exceed the reasonable costs of the service provided, and the service was not financed by tax revenue in the 12-month period immediately preceding the imposition of the change.*

*(2) A charge imposed for the reasonable regulatory costs to the local government of issuing licenses or permits, performing inspections, performing audits, and conducting administrative adjudications.*

*(3) A charge imposed as a condition of property development, if the amount bears a reasonable relation to the development's probable costs to the community.*

*(4) A charge imposed for entrance to or use of local government property.*

*(5) A fine, penalty, or other monetary charge imposed by the judicial branch of government, or state or local administrative agency, as a result of any violation of a statute, ordinance, or regulation.*

*(6) Assessments and property-related fees and charges imposed in accordance with Article XIII D.*

*(f) Any tax as defined in subdivision (e) that was imposed on or after January 1, 2008, but before January 1, 2009, that was not imposed in compliance with the requirements of this section is void on January 1, 2010, unless, prior to January 1, 2010, the tax is reimposed in compliance with the requirements of this section.*

Eighth—That Article XIII F is added thereto, to read:

ARTICLE XIII F

Local Government Expenditure Limits

SECTION 1. (a) The total amount of expenditures made for any fiscal year by a city, county, city and county, or special district shall not exceed the total amount of revenues received by that entity for that fiscal year from its authorized taxes, fees, and other charges, state and federal funds, and other sources of local revenue, including reserve funds carried over from a prior year.

(b) For purposes of this section, "authorized taxes" include all tax revenues received by a local agency pursuant to state law, and pursuant to a tax imposed by local ordinance approved by the voters of that local agency. Tax revenues authorized by an ordinance approved by the voters prior to November 5, 1986, shall be deemed to have been approved by the voters for this purpose.

(c) For purposes of this section, "tax" shall have the meaning as prescribed in Section 2 of Article XIII C on or after January 1, 2009.

Ninth—That Section 8.5 of Article XVI thereof is amended to read:

~~SEC. 8.5. (a) In addition to the amount required to be applied for the support of school districts and community college districts pursuant to Section 8, the Controller shall during each fiscal year transfer and allocate all revenues available pursuant to paragraph 1 of subdivision (a) of Section 2 of Article XIII B to that portion of the State School Fund restricted for elementary and high school purposes, and to that portion of the State School Fund restricted for community college purposes, respectively, in proportion to the enrollment in school districts and community college districts respectively.~~

~~(1) With respect to funds allocated to that portion of the State School Fund restricted for elementary and high school purposes, no transfer or allocation of funds pursuant to this section shall be required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditure per student of the 10 states with the highest annual expenditures per student for elementary and high schools, and that average class size equals or is less than the average class size of the 10 states with the lowest class size for elementary and high schools.~~

~~(2) With respect to funds allocated to that portion of the State School Fund restricted for community college purposes, no transfer or allocation of funds pursuant to this section shall be required at any time that the Director of Finance and the Chancellor of the California Community Colleges mutually determine that current annual expenditures per student for community colleges in this State equal or exceed the average annual expenditure per student of the 10 states with the highest annual expenditures per student for community colleges.~~

~~(b) Notwithstanding the provisions of Article XIII B, funds allocated pursuant to this section shall not constitute appropriations subject to limitation.~~

~~(c) From any funds transferred to the State School Fund pursuant to subdivision (a), the Controller shall each year allocate to each school district and community college district an equal amount per enrollment in school districts from the amount in that portion of the State School Fund restricted for elementary and high school purposes and an equal amount per enrollment in community college districts from that portion of the State School Fund restricted for community college purposes.~~

~~(d) All revenues allocated pursuant to subdivision (a) shall be expended solely for the purposes of instructional improvement and accountability as required by law.~~

~~(e) Any~~

*SEC. 8.5.* *Any* school district maintaining an elementary or secondary school shall ~~develop and cause to be prepared an annual audit accounting for such funds and shall~~ adopt a School Accountability Report Card for each school.

Tenth—That Section 20 of Article XVI thereof is amended to read:

SEC. 20. (a) The Budget Stabilization Account is hereby created in the General Fund.

(b) *(1)* In each fiscal year as specified in ~~paragraphs (1) to (3)~~ *subparagraphs (A) to (C)*, inclusive, the Controller shall transfer from the General Fund to the Budget Stabilization Account the following amounts:

~~(1)~~

*(A)* No later than September 30, 2006, a sum equal to 1 percent of the estimated amount of General Fund revenues for the 2006–07 fiscal year.

~~(2)~~

*(B)* No later than September 30, 2007, a sum equal to 2 percent of the estimated amount of General Fund revenues for the 2007–08 fiscal year.

~~(3)~~

*(C)* No later than September 30, 2008, ~~and annually thereafter,~~ a sum equal to 3 percent of the estimated amount of General Fund revenues for the ~~current~~ *2008–09* fiscal year.

~~(c)~~

*(2)* The transfer of moneys shall not be required by ~~subdivision (b)~~ *paragraph (1)* in any fiscal year to the extent that the resulting balance in the account would exceed 5 percent of the General Fund revenues estimate set forth in the budget bill for that fiscal year, as enacted, or eight billion dollars ($8,000,000,000), whichever is greater. The Legislature may, by statute, direct the Controller, for one or more *of those* fiscal years, to transfer into the account amounts in excess of the levels prescribed by this subdivision.

*(3) Of the moneys transferred to the account in each fiscal year under paragraph (1), 50 percent shall be deposited in the Deficit Recovery Bond Retirement Sinking Fund Subaccount established in subdivision (g). All other moneys transferred to the account in a fiscal year under paragraph (1) shall not be deposited in the sinking fund subaccount, and may, by statute, be transferred to the General Fund.*

*(c) No later than September 30 in the 2009–10 fiscal year and no later than the same date in each fiscal year thereafter, the Controller shall transfer a sum equal to 1.5 percent of the estimated*

*amount of General Fund revenues for the current fiscal year to the Deficit Recovery Bond Retirement Sinking Fund Subaccount.*

*(d) The amount of moneys deposited pursuant to this section in the Deficit Recovery Bond Retirement Sinking Fund Subaccount shall not exceed the aggregate amount of five billion dollars ($5,000,000,000) for all fiscal years. The moneys deposited pursuant to this section in the sinking fund subaccount are in addition to any other payments provided by law for the purpose of retiring deficit recovery bonds authorized and issued as described in Section 1.3.*

~~(d)~~

*(e)* Subject to any restriction imposed by this section, funds transferred to the Budget Stabilization Account shall be deemed to be General Fund revenues for all purposes of this Constitution.

~~(e)~~

*(f)* The transfer of moneys from the General Fund ~~to the Budget Stabilization Account~~ *pursuant to subdivision (b) or (c)* may be suspended or reduced for a fiscal year as specified by an executive order issued by the Governor no later than June 1 of the preceding fiscal year.

~~(f) (1) Of the moneys transferred to the account in each fiscal year, 50 percent, up to the aggregate amount of five billion dollars ($5,000,000,000) for all fiscal years, shall be deposited in the~~

*(g) The* Deficit Recovery Bond Retirement Sinking Fund ~~Subaccount, which~~ *Subaccount* is hereby created in the account for the purpose of retiring deficit recovery bonds authorized and issued as described in Section 1.3~~, in addition to any other payments provided for by law for the purpose of retiring those bonds~~. The moneys in the sinking fund subaccount are continuously appropriated to the Treasurer to be expended for that purpose in the amounts, at the times, and in the manner deemed appropriate by the Treasurer. Any funds remaining in the sinking fund subaccount after all of the deficit recovery bonds are retired shall be transferred to the account, and may, *by statute,* be transferred to the General Fund ~~pursuant to paragraph (2)~~.

~~(2) All other funds transferred to the account in a fiscal year shall not be deposited in the sinking fund subaccount and may, by statute, be transferred to the General Fund.~~

Eleventh—The repeal and addition of Section 3 of Article XIII A by this measure shall become operative on January 1, 2009, and the repeal and addition of Article XIII B by this measure shall become operative on July 1, 2009.

Twelfth—The provisions of this measure are severable. If any provision of this measure or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

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